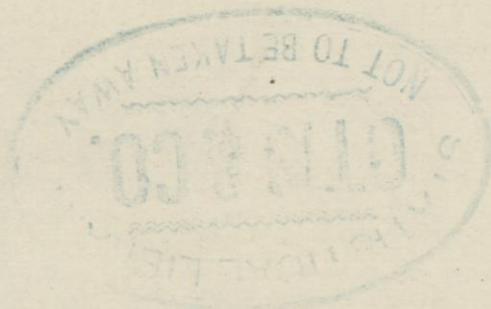
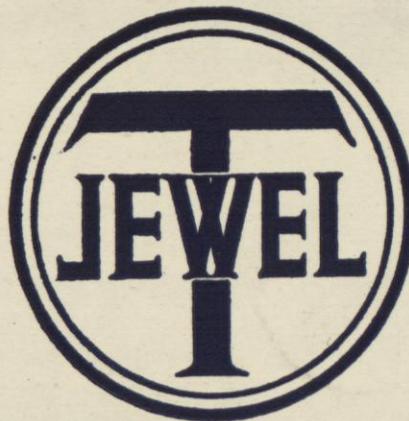


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ANNUAL REPORT - 1926

JEWEL TEA CO., INC.
NEW YORK CHICAGO



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JEWEL TEA CO., INC.

GENERAL OFFICES

5 NORTH WABASH AVENUE

CHICAGO, ILLINOIS

DIRECTORS:

H. S. BOWERS
JOHN M. HANCOCK
M. H. KARKER
ARTHUR LEHMAN

O. B. WESTPHAL

HERBERT H. LEHMAN
JOHN C. REGAN
F. P. ROSS
ARTHUR SACHS

OFFICERS:

JOHN M. HANCOCK
Chairman of the Board of Directors

M. H. KARKER, President

O. B. WESTPHAL, Vice-President

JOHN C. REGAN, Vice-President

W. D. SMITH, Secretary

F. M. KASCH, Treasurer

ROBERT W. MUIR, Assistant Secretary

SIDNEY J. WEINBERG, Assistant Secretary

R. T. PURDY, Assistant Treasurer

TRANSFER AGENT:

AMERICAN EXCHANGE IRVING TRUST COMPANY, 60 Broadway, New York City

REGISTRAR:

LAWYERS TRUST COMPANY, 160 Broadway, New York City

AUDITORS:

TOUCHE, NIVEN & CO., Public Accountants.
New York and Chicago

1965 MAY 20 1965

JEWEL TEA CO., INC.

5 North Wabash Avenue,

Chicago, Ill., February 10, 1927.

To the Stockholders:

The balance sheet of the company at January 1, 1927 and the statement of income and surplus account for the operating year 1926 are presented herewith.

Net profits for the year, after taxes, were \$1,258,052.07, as compared with \$838,947.75 for 1925, an increase of practically 50%. Earnings were at the rate of \$46.08 per share on the 27,300 shares of preferred stock outstanding and \$8.89 per share on the common, after providing for the current 7% dividend on the preferred outstanding at the end of the year. During the year there were declared and paid the regular current dividends of \$7.00 per share on the preferred stock and an additional \$15.75 per share on account of accruals. Preferred dividends in arrears at the end of the year amounted to \$14.00 per share. The year closed with a net surplus of \$1,239,310.78.

Total sales amounted to \$14,568,257.64, an increase of 2.8%, and the number of routes in operation increased from 1,059 to 1,090. For the last four years the company had as its sales goal a national average of \$300 per week per route in operation. This figure was reached the week of December 11, 1926, passing all previous sales records in the history of the company.

The total expenses for the year were less than in 1925, notwithstanding the increases in sales and in number of routes. The motorization of the business was completed.

Inventories were lower and turnover of branch stocks was 10.74 times as compared with 10.11 in 1925. Accounts Receivable, Trade Customers decreased \$29,570.55, or 9.8%, indicating that a larger number of customers is buying for cash. Working capital was \$2,815,868.08, an increase of \$58,821.50 over 1925, and the ratio of current assets to liabilities was 3.30. All acceptances arising from the importation of green coffee and due prior to March 1, 1927 were paid before the close of the year.

The company maintained a strong cash position and has not resorted to bank loans or borrowing of any kind during the last three years. During the year \$650,675.00 was paid in dividends on outstanding preferred stock and 4,500 shares of preferred stock were purchased at a net cost of \$499,950.00. At the end of the year there were 2,700 shares of preferred stock held in the treasury, 6,400 shares having been retired in April by direction of the stockholders.

On July 12, 1926, the company started to merchandise its coffee through the established retail stores of the Boroughs of Brooklyn and Queens, New York City. This is a departure from the established methods of merchandising heretofore followed by the company and will be used experimentally to determine whether or not company products can be distributed profitably in this way in cities where it is not practicable to extend the wagon route method.

Results for the year exceeded the most sanguine expectations of a year ago and the management desires to express to stockholders and fellow-workers its grateful appreciation of their whole-hearted loyalty and support.

M. H. KARKER, President.

For the Board of Directors:

JOHN M. HANCOCK,
Chairman.

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JEWEL TE
BALANCE SHEET

ASSETS	
CURRENT ASSETS:	
Cash	\$ 514,927.76
Marketable securities, including interest:	
Liberty bonds	\$ 776,474.94
Other bonds	256,431.79
	1,032,906.73
Common stock held for employees, at cost less payments thereon..	24,873.82
Accounts receivable:	
Trade customers	\$ 272,129.71
Miscellaneous	93,341.77
	\$ 365,471.48
Less Reserve for doubtful accounts	78,149.35
	287,322.13
Inventories at cost or market, whichever is lower:	
Products merchandise	\$1,811,469.34
Premium merchandise	314,369.42
	2,125,838.76
Trust fund investments (surety deposits per contra)	54,527.77
	\$4,040,396.97
DEFERRED CHARGES:	
Premium merchandise (at cost) advanced to customers	\$ 649,963.54
Less Reserve for doubtful accounts	161,863.89
	\$ 488,099.65
Inventory of expense supplies	32,214.66
Unexpired insurance premiums, prepaid expenses, etc.	80,966.81
	601,281.12
CAPITAL ASSETS:	
Land and buildings, branches	\$ 89,114.74
Machinery, furniture and fixtures at plants	438,705.89
Delivery and branch equipment	752,280.45
	\$1,280,101.08
Less Reserve for depreciation	542,031.27
	738,069.81
GOODWILL	
	120,000.00
	\$5,499,747.90

We have audited the books and accounts of the JEWEL TEA CO., INC., for accompanying income and surplus account are in accordance therewith, and exhibit, in and the results of operations for the year then ended.

CHICAGO, February 3, 1927.

A CO., INC.

JANUARY 1, 1927

LIABILITIES

CURRENT LIABILITIES:

Letters of credit and acceptances.....	\$ 653,783.40
Accounts payable	105,108.62
Federal income taxes (year 1926).....	185,685.36
Preferred dividends unclaimed.....	60.00
Sundry accruals	225,363.74
Surety deposits (Trust fund investments, per contra).....	54,527.77
	516,218.

<u>RESERVE FOR CONTINGENCIES</u>	\$1,224,528.89
	185,908.23

CAPITAL STOCK:

Authorized and issued—

7% Cumulative preferred stock, 30,000 shares, \$100.00 each	\$3,000,000.00
Less in Treasury 2,700 shares.....	270,000.00

Common stock—120,000 shares of no par value.....	\$2,730,000.00
	120,000.00

	2,850,000.00

<u>SURPLUS ACCOUNT</u> (per annexed statement).....	1,239,310.78
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CONTINGENT LIABILITY:

For letters of credit issued against coffee contracts not shipped at January 1, 1927.....	\$ 680,388.00
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NOTE:

Preferred stock dividend in arrears at January 1, 1927, 14%, or	\$ 382,200.00
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Preferred stock redemption requirements at July 1, 1926 (1,200 shares) have not been given effect to, but 2,700 shares in treasury are available therefor

\$5,499,747.90

the year ended January 1, 1927, and hereby certify that the above balance sheet and our opinion, a correct statement of the financial position of the Company at that date

TOUCHE, NIVEN & CO.,
Public Accountants.

JEWEL TEA CO., INC.
INCOME AND SURPLUS ACCOUNT
YEAR ENDED JANUARY 1, 1927

NET SALES	\$14,568,257.64
LESS COST OF SALES, including raw materials, labor, supplies, operating expenses, depreciation, etc.....	13,353,014.49
NET PROFIT FROM OPERATIONS.....	\$ 1,215,243.15
 OTHER INCOME:	
Profit on sales to wholesale customers and others.....	\$ 32,322.97
Interest and discount.....	145,705.30
Miscellaneous income, subleases, etc.....	50,466.01
	228,494.28
NET PROFIT before providing for Federal income taxes.....	\$ 1,443,737.43
LESS Provision for Federal income taxes.....	185,685.36
NET PROFIT for the year.....	\$ 1,258,052.07
 DEDUCT:	
Dividends paid on preferred stock:—	
Current accrual—7%	\$221,200.00
On account of arrears—15 $\frac{3}{4}$ %	486,900.00
	\$708,100.00
Less Dividends on Treasury stock.....	57,425.00
	\$650,675.00
Premium on preferred stock purchased and adjustment on sales of common stock to employes, etc.....	106,479.96
Appropriated for reserve for contingencies.....	260,000.00
	1,017,154.96
ADD Surplus balance at January 2, 1926.....	\$ 240,897.11
	998,413.67
SURPLUS BALANCE, January 1, 1927.....	\$ 1,239,310.78

